BCPROGRESSBOARD

THE SOCIAL CONDITION IN BRITISH COLUMBIA

A Companion Discussion Paper to the Sixth Annual Benchmarking Report

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BC Progress Board

December 15, 2006

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2007-02232/

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Executive Summary

The BC Progress Board, established by Premier Gordon Campbell in July 2001, is an independent Panel of 18 senior business and academic leaders. The Board benchmarks BC economic, innovation, education, environment, health and social performance over time and relative to other jurisdictions. The Board also provides advice on ways to improve provincial performance.

The progress of a society is judged in many ways. But one of the most compelling considerations is its "social condition," and in particular the opportunities it creates for its most vulnerable citizens. On this dimension, British Columbia faces challenges.

The BC Progress Board has been puzzled by evidence emerging from its benchmarking project, which suggests that BC is lagging in a number of dimensions of the social condition. This report digs down to understand what is happening. The most troubling social indicator is the proportion of British Columbians living below Statistics Canada's low income threshold, which is often informally referred to as the "poverty line." The proportion of the BC population living in low income has been greater than in other provinces through much of this decade. More worrying, one in ten British Columbians lives in low income for extended periods.

To understand the situation better, the BC Progress Board commissioned a special study by Statistics Canada to explain the difference in low income rates in BC and Canada. The study concluded that the level of employment is the most important factor explaining the BC-Canada gap. In comparison, demographic factors such as family structures and the age structure of the population were not significant factors. The higher proportion of immigrants in BC than in Canada generally was a secondary factor, and there is some evidence that low income families in the province receive less from government transfers. Beyond these quantifiable factors emphasized in the Statistics Canada report, it is also possible that some portion of the BC-Canada gap reflects faster growth in the underground economy in BC than in Canada as a whole since 1995, when the low income gap began to open up.

The central role of employment in explaining the BC-Canada gap suggest the gap between BC and Canada may well be narrowing already. The rate of economic growth in BC is now faster than in the country as a whole, and is likely narrowing the gap. A rising tide does lift many boats. However, even if the BC rate is converging on the Canadian level, the issue of low income remains compelling. The Canadian low income rate itself is high by international standards, and merely hoping to get down to the Canadian average will not meet the needs of British Columbians who live in low income.

Low income matters for two reasons. First, equality of opportunity is an important goal in British Columbia. All children, irrespective of their social background, should have an equal chance to succeed in the province, and there is compelling evidence that children from low income families are at greater risk. Second, governments and society as a whole bear important collective costs that flow from high levels of economic marginalization in the province. The fact that one in ten British Columbians lives on the economic margins for extended periods stands as a pressing policy challenge. But one in ten is not an insurmountable challenge. Progress is possible.

To assess avenues for progress, the report tracks recent policy developments in two key areas: income transfers; and, education and training, or what many now call "investment in human capital." Over the last decade, successive provincial governments and the federal government have sent a powerful message to low income families and individuals. By restructuring income transfer programs, they have told able-bodied, low income individuals to look to the labour market to ensure their economic well-being. Reductions in the federal Employment Insurance program and BC Income Assistance have been significant. However, this strategy in turn generates three powerful policy imperatives.

- *Work should pay.* Governments need to extend supports to low wage workers to ensure they are better off in employment than on welfare, that they face reasonable marginal effective tax rates, and that they can meet the needs of their families through work.
- *Educational equality should be a key priority.* As governments shift people from income support to the labour force, they acquire an even greater responsibility to help low income individuals gain the education and skills needed to participate effectively in the economic mainstream.
- *Those who cannot be expected to work should be well supported.* Even the most effective investments in education and skills will not meet the needs of those who, by reason of disabilities or other persistent barriers, cannot be expected to work. These people should receive the support needed to live in dignity.

This report presents a number of policy suggestions designed to help make progress on all three fronts. The recommendations focus on income transfers and education and skills development, and are directed to both the federal and BC governments, as both have important responsibilities in this field.

Income Transfers

There is still considerable distance to go in making an employment-oriented social policy both fair and effective. First, there has been little progress on the agenda of making work pay. A common misunderstanding is that those in low income do not work. In reality, however, a large proportion of those in low income are "working poor," a term often used to describe people in low wage employment. A key part of an employment-oriented social strategy is to support such workers to ensure that they are better off in work than on welfare. A lot remains to be done here. Second, the core income support programs need attention to assure that they respond effectively to people in need of temporary support, and that they support those who cannot work with dignity. The report therefore makes several suggestions:

- In order the help make work pay, the British Columbia government should support the introduction of a strong federal Earned Income Tax Benefit, and cooperate in the integration of its income-tested programs with the federal program.
- Given the erosion of the role of the federal Employment Insurance program in provinces such as British Columbia, the province of British Columbia should urge the federal government to reform its program structure to provide temporary income support for unemployed Canadians in an even-handed way across the country as a whole.
- BC Income Assistance benefits should be indexed to changes in the cost of living.

Investing in Human Capital

One of the most persistent and pervasive findings of the research on human development is that children's educational attainment, health and long-term prospects are influenced by the social and economic context in which they grow up. Children and young people growing up in disadvantaged families tend to do less well in school, are less likely to graduate from secondary school, and are less successful in entering the labour market. To ensure that an employment-oriented social policy is fair and effective, governments need to take strong action to enhance the education and skill development of disadvantaged people.

BC has a distance to go here as well. Three concerns stand out: financing; evaluation; and, coordination. While the province does have a number of programs in this field, they are small and under-funded. Indeed, the provincial government has reduced its financial support in several key areas in recent years. It is time to re-invest. In addition, other jurisdictions are showing a much stronger commitment to evaluation and evidence-based policy design of programs in this field. And finally, responsibility for key programs in BC is fragmented across a variety of ministries whose priority attention is inevitably drawn elsewhere. BC can do better.

Action is important at all levels of the learning ladder: early childhood, primary and secondary schooling, post-secondary education, and adult training:

- The BC government should give "Strong Start" itself a strong start, by rolling out a program that is based on evidence of what works, that is strongly funded, and that has strong evaluation component. The province should also reinvest in the Child Care Subsidy Program.
- BC should build on the base of CommunityLinks by reversing the slow erosion of the budget in real terms, drawing on real evidence of what works and demanding a strong evaluation component for the program.
- The administration of related programs designed to lower the social gradient in education and development should be consolidated in an agency whose primary purpose is to enhance the development of children.
- The province should strengthen support for low income students by reinvesting in the BC Loan Reduction Program, follow up vigorously on the evaluation of the experimental bursary program, and extend support to students in one year programs.
- The province should respond to the recommendations concerning literacy advanced by the Premier's Advisory Panel on Literacy and by the report of the BC Progress Board on education. In addition, the province should review and strengthen its support for adult basic education training to ensure that there is a "second chance" in BC.

An Opportunity Package

Several other Canadian provinces have introduced integrated anti-poverty programs in recent years, to focus cross-ministry attention and energy on the issue. To reflect the optimistic spirit of British Columbia, such a package might be framed as an Opportunity Package. The key elements of such a package are clear: programs to make work pay; investments in lowering the social gradient in education and development; and strong support for those who cannot be expected to work. Such an Opportunity Package holds out the promise of making British Columbia the best place to live for everyone in the province.

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I. INTRODUCTION

The progress of a society is judged in many ways. But one of the most compelling considerations is its "social condition," and in particular the opportunities it creates for its most vulnerable citizens. The task before us is to help those on the margins of our economy and society to participate effectively in the mainstream of life in British Columbia.

On this dimension, British Columbia faces challenges. The BC Progress Board has been puzzled by evidence emerging from its benchmarking project, which suggests that BC is lagging in a number of dimensions of the social condition. This report digs down to understand what is happening. The most troubling social indicator is the proportion of British Columbians living below Statistics Canada's low income threshold, which is often informally referred to as the "poverty line." The proportion of the BC population living in low income has been greater than in other provinces through much of this decade. More worrying, one in ten British Columbians lives in low income for extended periods.

The fact that one in ten British Columbians lives on the economic margins for extended periods stands as a pressing policy challenge. But one in ten is not an insurmountable challenge. Progress is possible.

To assess avenues for progress, the report tracks recent policy developments in two key areas: income transfers; and, education and training, or what many now call "investment in human capital." Undoubtedly, many other policies are also relevant. The social condition is multi-faceted, and almost everything that government does influences the opportunities of vulnerable citizens. To be fully comprehensive, this report would also need to examine issues important to particular communities, including Aboriginal Peoples, recently arrived immigrants, people with disabilities, people with addictions, and so on. To be fully comprehensive, the analysis would also need to incorporate a wider range of policies, including health care, housing policies, and economic development policies, to name but a few. This report cannot claim such breadth. To make the project manageable, the report highlights two policy areas that are critical to all people on the margins of BC society.

In charting next steps, this report adopts an approach widely shared among leading analysts of social programs, including the Organization for Economic Cooperation and Development in its most recent report on Canada.[1] The basic components of this approach as presented here can be summarized succinctly. Over the last decade, successive provincial governments and the federal government have sent a powerful message to low income families and individuals. By restructuring income transfer programs, they have told able-bodied, low income individuals to look to the labour market to ensure their economic well-being. As this report will demonstrate, the reductions in major income transfer programs have been significant. However, this strategy, in turn generates three powerful policy imperatives.

- *Work should pay:* Governments need to extend supports to low-wage workers to ensure they are better off in employment than on welfare, that they face reasonable marginal effective tax rates, and that they can meet needs of their

families through work.

- *Educational equality should be a key priority:* As governments shift people from income support to the labour force, they acquire an even greater responsibility to help low income individuals gain the education and skills necessary to participate effectively in the economic mainstream.
- *Those who cannot be expected to work should be well supported:* Even the most effective investments in education and skills will not meet the needs of those who, by reason of disabilities or other persistent barriers, cannot be expected to work. These people should receive the support needed to live in dignity.

Progress is important on all three of these imperatives. This report presents a number of policy suggestions designed to help make progress on all three fronts in the years to come. The recommendations are directed to both the federal and BC governments, as both have important responsibilities in this field.

British Columbia has come through a difficult economic period. The province is now embarked on a trajectory of strong economic growth, which is creating opportunities to think creatively about ways to help the vulnerable members of our population. This report offers some suggestions in the belief that there is a common will to move forward in making British Columbia the best place in Canada to live for all its citizens.

II. TRACKING THE SOCIAL CONDITION

In tracking the social condition in British Columbia, the BC Progress Board has relied on a Social Condition Index based on five indicators: low income, low birth weight, personal and property crime, reliance on income assistance, and long-term unemployment. In this report, we narrow the focus. Crime is the subject of a separate report by the Board, and will not be examined here; and British Columbia performs well on the low birth weight in comparison with other provinces. This report therefore starts with an examination of indicators that raise challenging questions: the proportion of the population living in low income and the extent of long-term unemployment.[2]

Debate about the social condition can often be highly polarized. In assessing the recent trajectory of policy in British Columbia, this report tries to avoid extremes and to be guided by the best available empirical evidence. As much as possible, the report seeks to let the evidence speak for itself, and the pages that follow are filled with explanatory charts and tables.

Low Income in BC

As noted at the outset, BC's performance on the low income indicator has been both puzzling and troubling. For some time, the proportion of the population falling below the low income threshold has been greater in BC than in all other provinces.

What do we mean by "low income" and how do we measure it? Canada's most established and accepted measure of low income is Statistics Canada's low income cutoff or LICO. In setting the LICO thresholds, Statistics Canada assumes that a family or individual is in "low income" if they need to devote a significantly larger share of their income to the basic necessities – food, clothing and shelter – than the average Canadian family. Because the cost of basic necessities varies with the size of families and the size of the community in which they live, Statistics Canada calculates separate LICOs for seven different family sizes and five different community sizes from rural to urban areas with populations of 500,000 or more. (Appendix B sets out the LICOs for 2004, and explains in greater detail how they are calculated.) Statistics Canada then uses data on the incomes of Canadians from its Survey of Labour Income Dynamics (SLID) to determine the proportion of families and unattached individuals whose incomes fall below these thresholds.

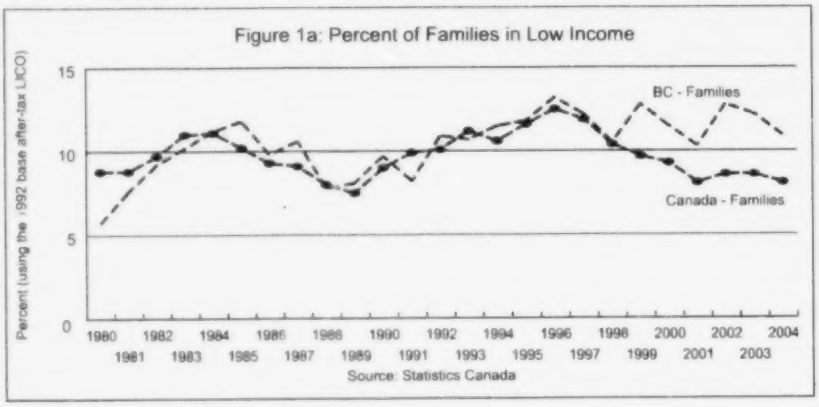


Figure 1a: Percent of Families in Low Income
Percent (using the 1992 base after-tax LICO)
15
10
5
0
BC - Families
Canada - Families
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004
Source: Statistics Canada

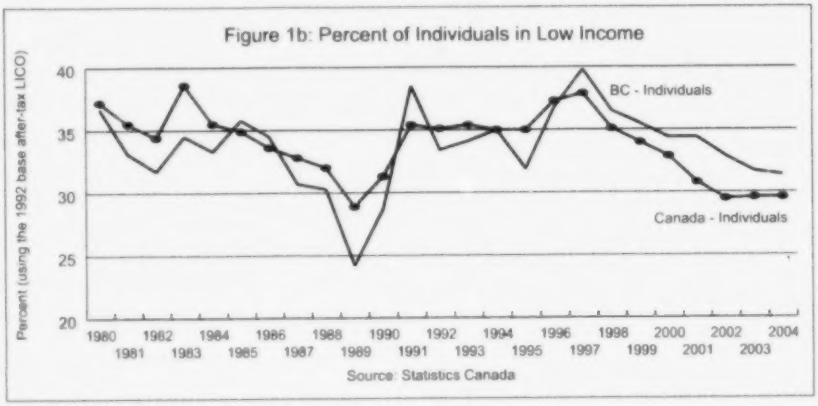


Figure 1b: Percent of Individuals in Low Income
Percent (using the 1992 base after-tax LICO)
40
35
30
25
20
BC - Individuals
Canada - Individuals
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004
Source: Statistics Canada

Figures 1, 2 and 3 present the results for BC and Canada as a whole, focusing on three separate dimensions of low income: the low income rate; the low income gap; and the persistence of low income.

The Low Income Rate

Figure 1 tracks the proportion of BC families and individuals living in low income over the last 25 years. For much of the 1980s and 1990s, BC paralleled the Canadian pattern closely, but a troubling and stubborn gap has opened up in more recent years.

The Low Income Gap

Statistics Canada also measures how far families and individuals fall below the low income thresholds. To what extent are they clustered heavily just below the threshold, and to what

extent do they fall deeper in low income? As Figure 2 demonstrates, recent BC experience is troubling once again, as the low income gap has grown in BC relative to that in Canada as a whole.

Persistence of Low Income

Increasingly, analysts distinguish between the number of people living in low income at any single point in time, and the number who live in low income for extended periods of time. The shift in perspective creates a dramatically different picture. On one hand, a larger number of families and individuals drop into low income at some point over the longer period. On the other hand, most low income spells are relatively short, and exit rates are high. For most people, poverty is a transient phenomenon. Escape is not only feasible but the norm.[3]

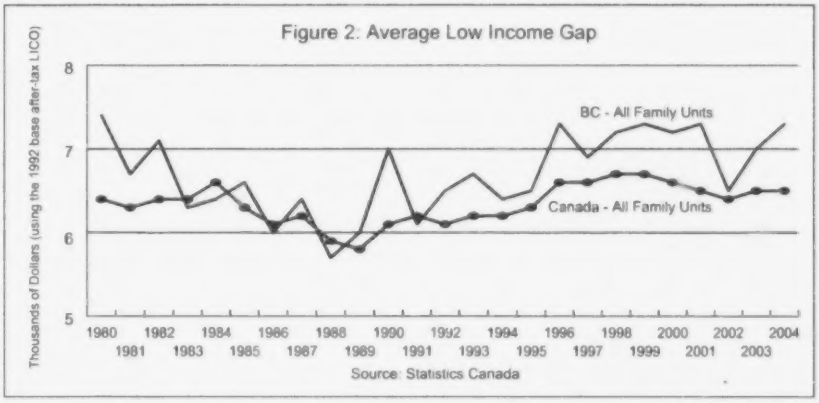


Table 1 compares experience in BC with that in other provinces, showing the proportion of the population who lived in low income between 1998 and 2004. The good news is in the first column of the table: approximately 75 percent of British Columbians did not experience low income in this six-year period. The bad news is that almost a quarter of British Columbians did experience low income during those years. However, this overstates the seriousness of our problems. Focusing on the longer term provides a better, although still sobering picture: ten percent of British Columbians were in low income during three or more of these six years, placing BC in 8th position among provinces.[4]

Table 1: Persistence of Low Income, percent of population

	Years in Low Income (LICO after tax)						
	0	1	2	3	4	5	all 6
BC	74.9	9.9	5.3	3.6	2.6	1.8	2.0
AB	80.0	7.3	3.8	2.4	2.8	1.0	2.6
SK	79.6	8.0	4.7	3.1	1.6	1.2	1.9
MB	78.7	7.9	5.3	3.1	1.7	0.8	2.4
ON	83.5	7.2	3.3	1.7	1.4	1.1	1.8
QC	78.7	6.9	5.0	3.0	1.8	2.2	2.4
NB	78.0	9.2	5.1	3.2	1.5	0.8	2.2
NS	78.2	7.5	4.2	4.0	1.2	1.4	3.5
PE	84.2	5.0	4.1	3.3	1.8	0.6	0.9
NF	72.7	9.5	5.3	4.1	2.8	1.5	4.2
Canada	80.0	7.7	4.3	2.6	1.8	1.5	2.2

Source: Statistics Canada (2005a)

Low income and Work

A common misunderstanding is that those in low income do not work. The reality, however,

is very different. A very large proportion of those in low income are "working poor," a term often used to describe people in low-wage employment. In 2003 fully 86 percent of two-parent families living in low income in Canada reported some earnings, as did 61 percent of low income single parent mothers. In the case of low income, two-parent families, average earnings were $15,683, the equivalent of $10.67 an hour for 1,470 hours during the year, the minimum time used by Statistics Canada to define full-time work. If one defines the "working poor" as families and unattached individuals who derive more than 50 percent of their total income from earnings, then 46 percent of low income families and 57 percent of low income unattached individuals were "working poor".[5] This report devotes considerable attention to the position of this segment of the low income population.

Is the BC-Canada Gap Real?

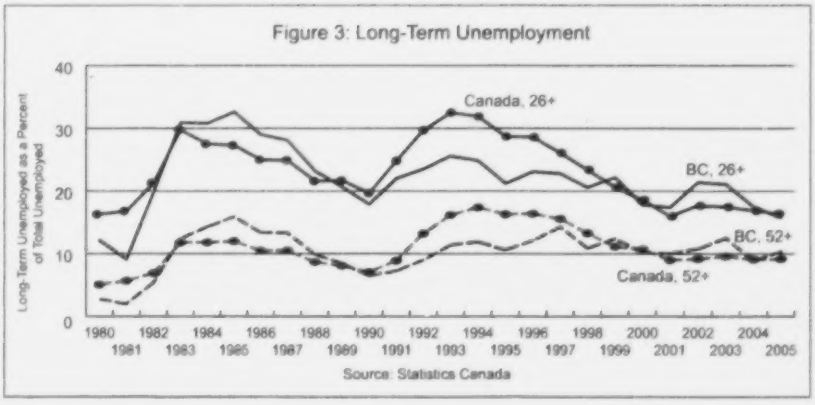
At first glance, the BC-Canada gap seems puzzling. Admittedly, the BC economy went through a difficult period in the late 1990s and early 2000s, which took a toll on growth in family incomes in the province.[6] Nevertheless, British Columbia has a high standard of living, and it seems strange that the proportion of the population falling below the low income threshold is greater than in all other provinces.

Not surprisingly, questions are sometimes asked whether the LICO or the data sources might over-estimate low income in the province. For example, some analysts have wondered whether high housing costs in BC could account for the BC results. Others have wondered whether the LICO tends to over-estimate poverty in provinces with a larger proportion of their population in large cities. Appendix B looks at both of these questions in greater detail. The simple answer is that neither question is a serious problem. The LICO is a national measure, and is not responsive to differences in provincial housing costs. Indeed, an alternative measure of low income which is sensitive to regional differences in the cost of living produces even larger estimates of low income in BC. Nor is the second question a concern. As Appendix B explains, the LICO for large urban areas is not determined by an arbitrary weighting; it reflects actual expenditures by families and individuals in such communities.

The Appendix also assesses the reliability of the income data used in calculating the LICO, comparing the results using the Survey of Labour and Income Dynamics (SLID) with data from both the Census and the tax returns that Canadians file each year. These different data sets do generate different estimates of the level of low income in BC and in Canada (see Figure A3a and A3b in Appendix B). However, the critical point here is that the data from all three sources point in the same direction: they all reveal a BC-Canada gap in low income. BC's performance relative to other parts of the country does not appear to be an artifact of the data source used in calculating the incidence of low income. There seems to be something real going on.

Long-Term Unemployment

In assessing the social condition, the BC Progress Board has also tracked the extent of long-term unemployment. Here, recent BC experience is more reassuring. Figure 3 tracks



people who were unemployed for 26 weeks or more and 52 weeks or more as a percent of total unemployed in British Columbia and in Canada from 1980 to 2005. This pattern clearly reflects different phases of the business cycle in BC and the rest of the country. Focusing on more recent experience, BC's experience deteriorated relative to the national pattern from 2001 to 2003, but it has recovered since 2004, when the BC economy began to grow more strongly. This pattern stands as a reminder of a basic reality: strong economic growth is good social policy.

Explaining the BC Pattern

To drill down and understand better the reasons for the troubling aspects of BC's social condition, the BC Progress Board commissioned a study by Statistics Canada.[7] The report analysed the difference in low income rates in BC and Canada, as well as the broadly similar difference in the rates in Vancouver and Toronto. In both of these comparisons, the report looks separately at families and unattached individuals. In seeking to explain the differences, it concentrates on three sets of factors:

- demographic differences (family structure and size, age structure of the population, proportion of immigrants in the population, education levels);
- levels of employment (of both the main income earner and other income earners in the family); and,
- sources of income of families with low income.

One of the strongest conclusions to flow from the study is that the level of employment is a significant factor explaining the BC-Canada gap. Indeed, employment levels explained most of the difference between Vancouver and Toronto, and between unattached individuals in BC and Canada generally. In comparison, the demographic factors were not a significant part of the story for these groups.

Employment levels were not the entire story, however. In the case of the BC-Canada gap for families, labour-market engagement explained only 35 percent of the difference. Demographic factors, primarily the higher proportion of immigrants in BC than in Canada generally, explained a further 15 percent. However, fully half of the low income gap among families in BC and across Canada was unexplained by these factors. The analysts at Statis-

tics Canada investigated further, examining the sources of income for low income families. They concluded that low income families in BC received the same amount of income from wages as did low income families across Canada, but the BC families received considerably less each year in the form of government transfers.[8]

What are the implications of this analysis? Four points are worth noting. First, employment opportunities are clearly critical. In part, the BC-Canada gap during the last decade undoubtedly reflects differences in the rate of economic growth in BC compared to the rest of the country. The painful restructuring of important primary industries also contributed to lower employment levels in coastal and interior regions than in the lower mainland. The good news is that the employment gap has narrowed more recently. The most recent data available at the time of the Statistics Canada study was for 2003, and BC has experienced strong economic growth since then. Figure 3 captures the impact of that growth on the rate of long-term unemployment in the province. It is difficult to anticipate how much this stronger growth has reduced the BC-Canada low income gap, as the 2004 data on low income do not show an appreciable narrowing. But the rate of economic growth in BC is now faster than in the country as a whole, and is likely narrowing the gap. A rising tide does lift many boats.

Second, it is possible that the BC-Canada gap in employment and low income in part reflects more rapid growth in the underground economy in British Columbia than in Canada as a whole. Statistics Canada cannot fully capture income generated in the underground or grey economy, including criminal activity related to drugs. Because a persistent BC-Canada gap in low income did not open up until 1995, the underground economy would be part of the explanation only if it has grown more rapidly in BC than in the country as a whole since that time. Because we do not have reliable estimates of the size and growth of the underground economy, we certainly cannot rule out the possibility that some portion of the BC-Canada gap in low income reflects faster growth in the underground economy since 1995.[9]

A third point flows from the indication in the Statistics Canada report that the low income gap between families in BC receive less income from government transfers than elsewhere in the country. Section IV follows up on this point by tracking changes in income transfer programs in the province.

Finally, even if stronger economic growth is narrowing the BC-Canada gap, the issue of low income remains a compelling one. The Canadian low income rate itself is high by international standards, and merely hoping to get down to the Canadian average will not meet the needs of British Columbians who live in low income. It is time to turn more directly to the question of why low income matters.

III. THE SOCIAL COSTS OF THE SOCIAL CONDITION IN BC

Does low income matter? Should British Columbians and their governments be concerned that a substantial minority of the population lives in low income, and that one in ten do so for extended periods?

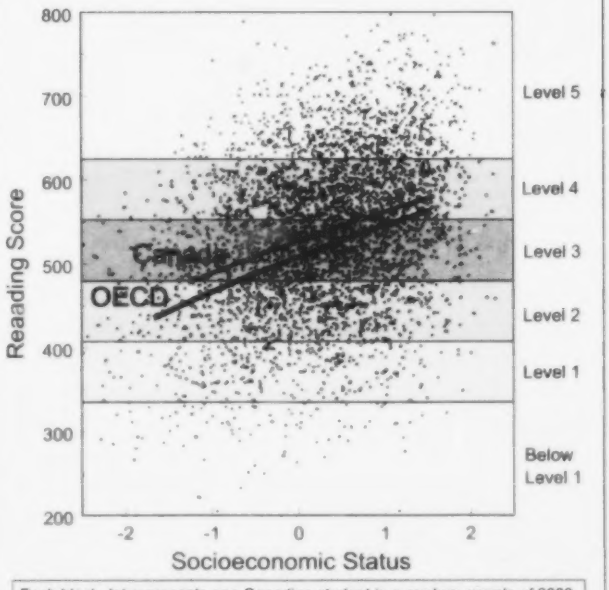
The answer is yes. Low income matters for two reasons. First, equality of opportunity is an important goal in British Columbia. All children, irrespective of their social background, should have an equal chance to succeed in the province, and there is compelling evidence that children from low income families are at greater risk. Second, governments and society as a whole bear important collective costs that flow from high levels of economic marginalization in the province. Both the individual and the social costs deserve attention.

Equality of Opportunity and Low Income

One of the most persistent and pervasive findings of the research on human development is that children's health, educational attainment, and long-term prospects are influenced by the social and economic context in which they grow up. In the words of one of Canada's leading researchers in the field, "children and youth growing up in families of lower socioeconomic status tend to do less well in academic pursuits, are less likely to complete secondary school, and tend to be less successful in entering the labour market than those from more advantaged backgrounds".[10]

Researchers track the vulnerability of children and their families through the analysis of socioeconomic *gradients*. A gradient is simply the relationship between socioeconomic status (SES) on one hand and a developmental outcome, such as education, literacy, health, employment, and so on. Figure 4 illustrates the relationship for literacy, but similar gradients emerge across a wide range of developmental outcomes.

Figure 4: Reading Literacy and Socioeconomic Background of 15-year-olds – PISA 2000



Each black dot represents one Canadian student in a random sample of 2000. The gradient or "learning bar" is the best-fitting line through the student data.

Source: Figure kindly provided by Douglas Willms. Reprinted with permission.

Social gradients emerge early in life. Early markers of vulnerability, such as low birth weight, are related to SES. By the time they enter school, children from disadvantaged backgrounds are less ready for school, as measured by vocabulary development and other capacities.[11] The social gradients persist in the years that

follow, showing up in cognitive performance and behavioural problems in primary school, drop-out rates in secondary school, and participation in post-secondary education. Thereafter, the consequences of weaker education pervade virtually every aspect of adult life: employment, income levels, health, parenting skills, engagement in civic organizations and political life.

Low income is clearly part of socio-economic disadvantage. Poverty can lead to poor nutrition, poor parent health and parental depression, factors which can leave their mark on children's progress. In the words of one leading analyst: "Children who grow up in poverty are more likely to arrive unprepared for school than their financially better-off counterparts. Once in school, their performance may be affected by hunger, low self-esteem, interrupted school attendance, and less motivation to learn".[12]

However, the factors at work go beyond money. What parents do matters as much as how much they earn. Reading to children; providing a stimulating environment; encouraging ambitious goals; supporting positive life choices at critical transition points: all of these are important. A long line of studies confirm that children's educational attainment and literacy levels are more strongly associated with their parents' level of education than their parents' income. The cumulative effects over a child's life-time are substantial. A long line of studies confirms that Canadian young people with highly educated parents are 2.4 times more likely to obtain a post-secondary credential than those whose parents have not completed high school; and this gap appears to be growing over time.[13] These patterns emerge in BC as well. A survey of students at four BC universities conducted in 2004-05 found that 72 percent have fathers who have completed some post-secondary education and 65 percent have mothers who have done so.[14]

This quiet process of social sorting is also influenced by the neighbourhoods in which people live.[15] The development trajectory of older children, adolescents and adults are also influenced by the level of resources the neighbourhood enjoys, the peer relations that prevail among young people, the quality of the school system, the strength of community networks, the diversity of the neighbourhood, and the strength of community role-models. BC is fortunate in having *The British Columbia Atlas of Child Development*[16], a world-leading resource that outlines the geography of opportunity in the province, and the influence of neighbourhood effects on children's development. Their maps have important implications for the delivery of some of the initiatives we discuss in section V.

The Social Costs of Low Income

Linkages between low income and downstream costs for government have been identified in a variety of fields. Children from low income families are more likely to become children in care, and to rely on income assistance themselves as adults. The report by the BC Progress Board on crime in British Columbia also identifies weak childhood development as one of the factors contributing to high crime rates in the province. None of the critical triggering problems (Fetal Alcohol Spectrum Disorder, weak parenting, abuse and neglect, illiteracy) are uniquely associated with low income. But long-term poverty is one factor that can con-

tribute to a slow drift towards criminal behaviour.[17]

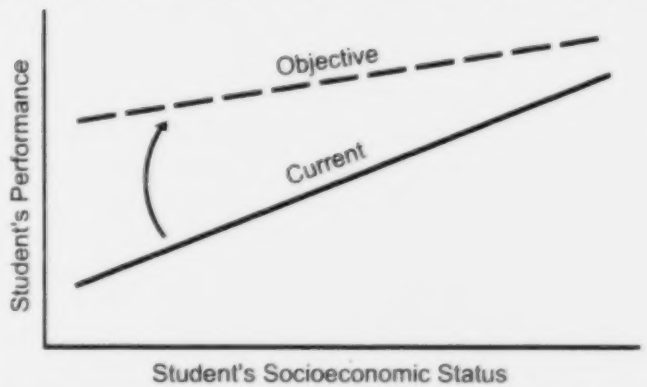
In addition to these direct costs to government, there are indirect costs to all British Columbians implicit in the economic marginalization of a significant portion of the population. As we have seen, individuals from less advantaged backgrounds tend to have lower levels of literacy. However, the entire province pays a price for this gradient. Countries with high average levels of education and literacy tend to have higher standards of living; and in Canada, literacy levels are strong predictors of per capita income across provinces.[18] Critically, however, countries with high average levels of literacy enjoy this success in part because they have reduced the socioeconomic gradient in literacy. In effect, they have raised their average literacy by improving the achievement of the poor. In so doing, they have contributed to the economic well-being of the country as a whole.[19]

The Goals of Social Policy: Raising and Leveling the Gradient

BC's goals should be ambitious, for all British Columbians and for those in vulnerable conditions. One goal is to continuously raise the standard of health, education and social well-being of all citizens in the province. But if we take equality of opportunity seriously, there is also a special need to improve social outcomes of those on the margins of our society and economy, who struggle to build their lives and raise their children without the economic and social resources most of us take for granted.

The idea of the social gradient is helpful here. In effect, the challenge is to both *raise* and *level* the gradient. Figure 5 illuminates the challenges graphically. Thinking about the challenges in this way also underscores that enhancing the development outcomes of low income families not only advances our social goals. It also raises the average level of education and health in the population as a whole, helping to position the province for the economic challenges of a global economy.

Figure 5: Raising and Leveling the Social Gradient



Students from all backgrounds improve their performance, while those from less advantaged backgrounds show the largest improvement.

Source: Figure kindly provided by Douglas Willms. Reprinted with permission.

IV. TRACKING POLICY RESPONSES: WHAT IS BC DOING?

This section examines the policy trajectory in income transfers and in education and skills programs, paying particular attention to their implications for low income families and individuals. As noted in the Introduction, three imperatives are important here: making work pay; lowering the social gradient in education and skills; and, fully supporting those who cannot be expected to work.

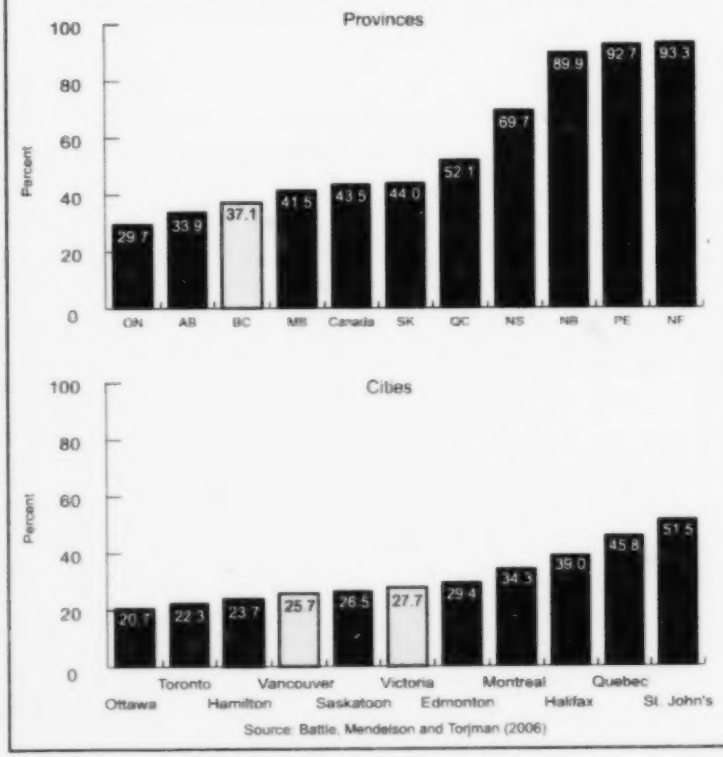
1) Income Security Programs

During the last decade, the income security programs for low income British Columbians have been restructured to emphasize employment. Income support for able-bodied adults who are unemployed has been scaled back, and there has been some limited movement towards income supplementation for low income families.

Employment Insurance

The federal unemployment insurance program plays a much smaller role in stabilizing incomes today. During the 1990s, the program was re-labeled Employment Insurance, eligibility was tightened and benefit levels were reduced. The impact of these policy shifts was reinforced by changes in the labour force. The growing ranks of self-employed workers increased the number who are ineligible for Employment Insurance; and the growing numbers of new entrants to the labour force, including new immigrants, now face higher entrance requirements. In combination, the program redesign and changes in the labour force contributed to a sharp drop in the proportion of the unemployed who receive unemployment benefits from 80 percent to just over 40 percent at a national level.[20] The federal program plays an even smaller role in BC and Vancouver. As Figure 6 indicates, only 37 percent of the unemployed in BC and 25 percent in Vancouver were

Figure 6: Percent of Unemployed Receiving Regular EI Benfits, 2004



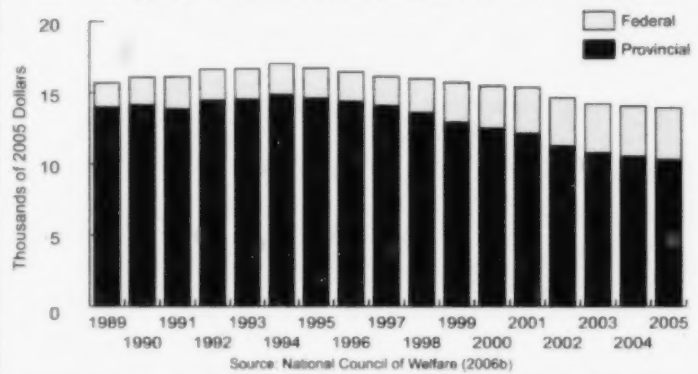
Source: Battle, Mendelson and Torjman (2006)

receiving unemployment insurance benefits in 2004.

Income Assistance

The last decade also saw a major restructuring of income assistance. Provincial governments across the country tightened eligibility rules and reduced benefit levels.[21] In the case of BC, changes came in two stages, one in 1996 and the second in 2002. Eligibility was tightened significantly in a complex set of changes, and benefits were reduced for most categories of recipients. The decline in support levels has been accentuated because benefits have not been adjusted for changes in the cost of living. Figure 7 illustrates the decline for the case of a single parent with one child. The only exception to this freeze was an increase of $70 per month in the benefit for persons with a disability, which was implemented in 2005. But even with this increase, welfare income for disabled people was almost 10 percent lower in nominal terms in 2005 than it was a decade earlier.

Figure 7: BC Welfare Income, Lone Parent with One Child



Source: National Council of Welfare (2006b)

The combination of tightened eligibility, reduced benefits and, in the second half of the 1990s, a stronger economy led to dramatic reductions in welfare caseloads across the country. Table 2 tracks the reduction from 1995 to 2005. (Tables C2 through C4 in Appendix C provide a more detailed picture.)

These changes have generated considerable controversy. In 2003, Statistics Canada published a study of people who exited income assistance programs across the country during the 1990s.[22] The pattern was mixed, providing ammunition for both sides of the polarized debate. The

Table 2: Average Caseload by Program Category, BC Employment and Assistance

	Expected to Work	Expected to Work - Medical Condition	Persistent Multiple Barriers	Persons With Disabilities	Temporarily Excused from Work	Child in the Home of a Relative	Total
1995	174,937	0	0	22,167	17,756	4,040	218,900
1996	158,020	0	0	24,391	16,654	4,111	203,175
1997	121,822	0	0	27,814	30,204	4,175	184,015
1998	106,757	0	0	30,954	29,938	4,337	171,986
1999	98,643	0	0	33,888	25,983	4,321	162,835
2000	91,661	0	0	37,902	24,389	4,359	158,311
2001	85,864	0	0	42,996	22,991	4,491	156,342
2002	68,287	0	0	45,896	20,242	4,242	138,666
2003	36,671	0	8,440	48,879	19,695	4,315	117,999
2004	23,657	5,805	12,282	52,933	10,660	4,449	109,785
2005	19,345	6,874	9,780	56,616	7,190	4,528	104,334
1995 - 2005 Change, Percent	(88.9)	n/a	n/a	155.4	(59.5)	12.1	(52.3)

Source: BC Ministry of Employment and Income Assistance. Notes: *Expected to Work - Medical Condition* (ETWMC) did not exist as a category prior to April 2004. In April 2004 *Temporarily Excused* was split into No Employment Obligations and *ETWMC*. The *Persons with Persistent Multiple Barriers* (PPMB) category did not exist prior to February 2003.

analysts at Statistics Canada concluded that, on average, family incomes rose substantially among those who left welfare, mainly because of a rise in earnings. However, for a third of welfare leavers, incomes declined, sometimes sharply. Moreover, people who left welfare did not always build stable economic situations: fully half returned to welfare, at least briefly, during the next five years, and approximately 30 percent returned for a full year or more. In all of this, the BC experience was similar to the national pattern.[23]

Table 3: Incomes of Welfare Exiters during the 1990s, by Province

	Sample size	LICO Rate	LICO Gap
		Percentage Point Change	
NF	230	(26)	19
PE	40	na	na
NS	480	(32)	23
NB	340	(29)	12
QC	6,800	(38)	4
ON	9,870	(25)	20
MB	620	(31)	7
SK	310	(34)	22
AB	1,080	(26)	13
BC	1,935	(30)	21

Sources: Frenette and Picot (2003); Supplementary data on a provincial basis kindly supplied by Statistics Canada.

Mixed results also emerge if one asks whether people leaving welfare escaped low income. Across the country as a whole, the incomes of about one third of welfare "exiters" had risen, sometimes substantially, above the low income thresholds two years later. However, the remaining two thirds remained in low income. Moreover, for this group, the low income gap grew considerably; on average, they were further below the low income threshold than they had been when on welfare. Table 3 presents the results by province. As we can see, among all exiters in BC, the low income rate fell by 30 percentage points, suggesting that almost one in three improved their economic position significantly. But the low income gap among those who remained in low income grew by 21 percentage points. This group was financially less well off than they had been on welfare.[24]

Income Supplementation

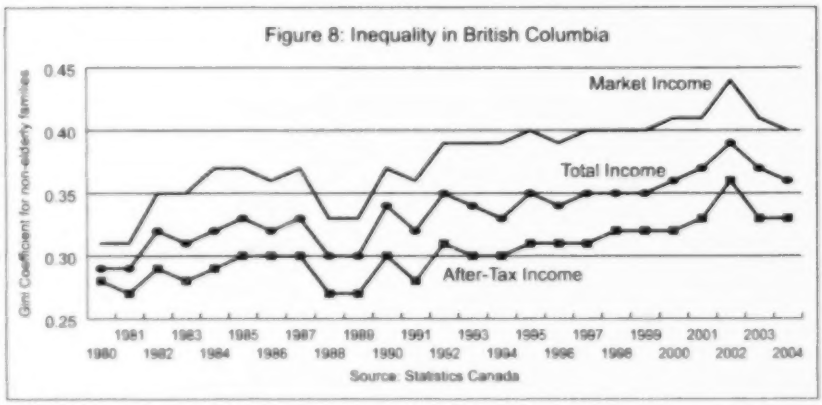
Across many western countries, governments have increasingly sought to make work pay by reducing the gap in support available to people in low-wage employment and those on welfare. In the case of the United States, one of the programs designed to reduce the gap, the Earned Income Tax Credit, has become one of the largest social programs in the country. Indeed, expenditures on the EITC are considerably higher than federal and state spending ever was under the traditional welfare program, Aid to Families with Dependent Children.

Canadian governments have started down this road. In 1993, the federal government integrated its existing child benefit programs into a single income-tested Child Tax Benefit which is delivered each month to low- and middle-income families. Changes in 1998 reconfigured the benefit again as the Canada Child Tax Benefit, and added a supplement, known as the National Child Benefit Supplement (NCBS), which is targeted more tightly to low income families only. As this new supplement was introduced and increased, provincial governments were encouraged to reduce the child component of their Income Assistance benefits by the same amount, leaving welfare families in the same net position. The restructuring was designed to help low-wage families with children, and thereby to lower the "welfare wall" by reducing the disparity in benefits available to those on welfare and those in low-wage employment.

British Columbia was an early entrant in this field. In 1996, the province introduced the BC Family Bonus, payable to all low income families, and added the BC Earned Income Benefit for low income families with children in 1998.[25] However, the province has effectively phased out the BC Family Bonus in recent years. From the beginning, the BC benefit was closely integrated with the federal child benefits, with Ottawa delivering both the federal and BC benefits together in a single, monthly payment. As the federal NCBS rose, the provincial government reduced the BC Family Bonus by the same amount. By July 2004, the BC Family Bonus for the first child had fallen to zero, and by July 2005 the same was true for the second child. In addition, the government has announced a phased withdrawal of the BC Earned Income Benefit.

Income Transfers: An Overview

While Employment Insurance, income assistance and income supplements are the most important transfer programs relevant to the low income population, a wide range of other government programs and taxes also have important implications for people at the margins of our economy. Figure 8 provides one measure of the reduction in the redistributive impact of government taxes and transfers over the last decade. The figure tracks the level of inequality among BC families from 1980 to 2004 for three definitions of income: market income which includesearningsand other sources of private income; total income which includes government income transfer payments; and income after tax which reflects the impact of both taxes and transfers. As has been true across Canada and indeed across most OECD countries, inequality in market incomes has grown over the last two decades in British Columbia, reflecting the impact of technological change, shifts in industrial structure, globalization and other important shifts in the economy. Federal and provincial transfers and taxes offset the growth in market inequality until the mid-1990s, when the most significant reductions in income transfers took place. After that, inequality in after-tax income began to drift upwards.



Income Transfers: a Summary

The BC and federal governments have redesigned the income transfer system to emphasize the role of employment as the primary source of economic security. The underlying message is clear: low income British Columbians should increasingly look to the labour market

to ensure their well-being. But progress is needed on two of the three imperatives that flow from this strategy. There is still a considerable distance to go in making work pay, and support for those who cannot be expected to work has weakened.

2) Investment in Human Capital

British Columbia and Canada generally have long been seen as leaders in the world of education. As the BC Progress Board's report on the public education system notes, British Columbia ranks high on a number of international and national assessment programs.[26] However, when BC's educational and training systems are examined from the perspective of the social condition, gaps quickly appear. As the Board's report on public education underscores, there are significant differences in educational outcomes across various school populations – with aboriginal communities and children with special needs facing major hurdles – and often dramatic differences across the provinces' school districts. More generally, as we have seen, there are significant social gradients in childhood development, educational accomplishment, and literacy.

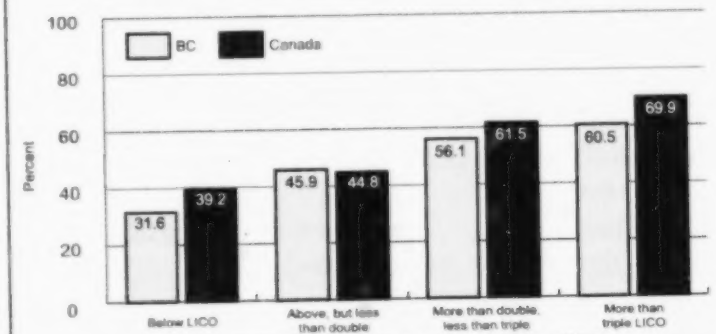
Strategies to lower the social gradients are relevant at four stages of the life cycle of British Columbians: early learning and development; primary and secondary education; access to post-secondary education; and adult training. While useful strategies have been introduced, they are often small and operate on modest budgets, leaving considerable room for progress.

Early Childhood Development

Contemporary research emphasizes the importance of the early childhood years, and highlights the ways in which quality child care and early childhood development (ECD) strategies can boost the development of vulnerable children. Indeed, Canadian researchers have been international leaders in the field.

Child care is now a part of Canadian life. A recent study by Statistics Canada reports that 54 percent of children aged 6 months to 5 years were in some form of non-parental child care in 2002/03, up from 42 percent in the mid-1990s. The level in British Columbia was slightly lower, at 49 percent in 2002/03.[27] However, current debates tend to be too narrowly focused. Too often, child care is seen as "baby-sitting" – a means of freeing up par-

Figure 9: Proportion of Children in Non-Parental Care, 2002/03



Source: Statistics Canada, National Longitudinal Survey of Children and Youth. Provincial estimates kindly supplied by Statistics Canada

ents' to work in the paid labour force. Concern about the social gradient in child development points to a broader vision – one that captures the health and cognitive development of children at risk.

Realizing a broader vision requires two steps. The first step is to ensure that low income children in particular benefit from quality care. However, the National Longitudinal Survey of Children and Youth indicated that children from low income families were less likely in 2002/03 to be in child care, especially in BC (see Figure 9).[28] It is doubtful that BC has made substantial progress since then. Funding for the Child Care Subsidy Program, which in 2005/06 helped 22,600 children from low- and moderate-income families, has remained relatively stagnant. Indeed, as Table 4 indicates, the provincial contribution to the program has declined during the current decade. Federal contributions offset the decline recently, and on that basis the province announced in October 2005 that the threshold for full support would rise from a family income of $21,000 to $38,000, making another 6,500 children eligible for full subsidy. To its credit, the BC government has announced that the new thresholds will remain despite the decision of the newly elected federal government to terminate the child care transfer to the provinces after the current year. However, no additional provincial funding has been committed, raising the prospect that the additional costs will have to be covered from other pillars of the program, such as operating grants to providers.[29] In that context, the net impact on the prospects for low income children would be uncertain, as child care fees would presumably rise.

Table 4: Child Care Subsidy Program and ECD Programs

	Budget ($ millions)				
	2001/02	2002/03	2003/04	2004/05	2005/06
Child Care Subsidy Program	126.4	107.3	104.0	108.9	124.9
Provincial Portion	126.4	107.3	104.0	102.5	96.5
Federal Portion				6.4	28.4
Early Childhood Development	25.7	21.1	22.2	22.3	23.9

Source: BC Ministry of Children and Family Development

The second step is to ensure that disadvantaged children receive strong educational and developmental programs. Existing regulations governing the licensing of child care facilities target health and safety, and do not focus on the educational quality of the children's experience. However, developmental programming tends to be most comprehensive in daycare centres. The dominant conclusion from the research literature is clear: children who receive less stimulation at home benefit from participation in a quality day-care centre; children from low income families who participate in such care facilities have superior vocabulary development to children from similar backgrounds who do not.[30] This beneficial effect does not extend through the entire income distribution. There is evidence that children from high-income families actually do less well in care outside the family. But for those from disadvantaged backgrounds, quality care matters. British Columbia and Canada generally have moved in this direction, but very slowly. In 2002/03, only 28 percent of Canadian children who were in some form of child care were in daycare centres; in the case of British Columbia the number was just under 20 percent, fourth lowest among the provinces.[31]

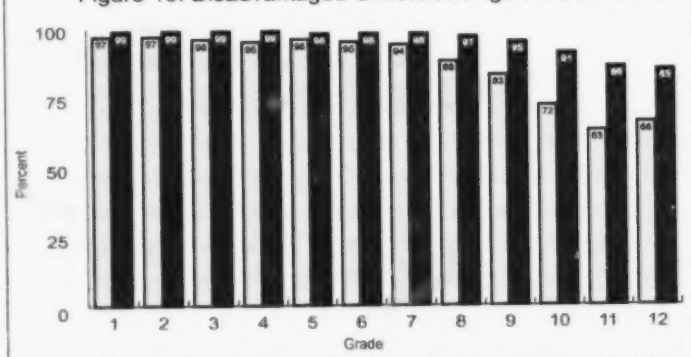
Many countries have supplemented child care with special early childhood development

(ECD) initiatives. The United States has a strong "Head Start" culture, and more recently Britain has launched its "Sure Start" program. In contrast, in the gentle words of an OECD review team, Canadian policy is still "in its initial stages".[32] The British Columbia government offers funding to assist communities with initiatives such as Children First, the Human and Early Learning Partnership, community asset mapping and Success by 6. Table 4 also tracks the budget for these initiatives. While these programs do lever some local community funding as well, they remain modest. Moreover, as Table 4 indicates, the budget in 2005/06 is actually lower than four years earlier. The province has promised to introduce a "Strong Start" program, but early indications are that the program will add to the budget in only limited ways. Section V of this report returns to the possibilities for a stronger "Strong Start."

Primary and Secondary Education

The need for support for disadvantaged children continues through the school system. Figure 10 provides one measure of the growth of the social gap over these years: the proportion of disadvantaged children who are not in their age-related grade compared to other children. Too many of these children end up dropping out of school before receiving their Dogwood Diplomas. The Progress Board's recent report on public education argues that potential drop-outs need to be identified early: "The use of standard tests to identify reading and other developmental deficiencies when students first enter the formal school system gives educators a much greater opportunity to work intensively with disadvantaged children to overcome poor literacy and cognitive skills owing to lack of preparedness in their pre-school years".[33]

Figure 10: Disadvantaged Children In Age-Related Grade



Note: "Disadvantaged Children" includes children: in care; under supervision orders; in youth agreement; in out-of-care options; and, in families receiving Income Assistance
Source: BC Ministry of Children and Family Development

In 1996, British Columbia introduced a school-based program to help improve the educational performance of children from deprived backgrounds. CommunityLink, as the programs are now known, provides funding to all 60 school boards, in amounts varying from $77,000 in Revelstoke to about $8 million in Vancouver. The funding is spent on child and youth workers (40 percent), inner city and community schools programs (25 percent), meals and snack programs (25 percent) and healthy schools and literacy programs (10 percent).

A study by the Ministry of Children and Family Development[34] provided intriguing evidence that these initiatives do have the potential to help level the gradient in educational performance in the schools that were funded. However, the programs remain modest. The budget of $43 million was established in 1996. A decade later, the budget in 2006 is $44.6 million, rep-

resenting a smaller commitment in real terms and less than 1 percent of the education budget of the province. A minority of public schools in the province benefit from the programs, and few of the funded schools receive more than one or two of the full set of services. Nevertheless, the program represents a base on which the province can build.

Post-Secondary Education

Across Canada, participation at the college level is relatively even across income groups, but children from low income families are half as likely to attend universities as children from affluent families. We cannot expect our post-secondary institutions to reverse the cumulative effects of socio-economic disadvantage among young people, but our system of post-secondary financing should not create additional barriers.

During the last ten years, post-secondary finances have undergone significant changes across the country: tuition fees have increased in real terms; and student financial aid shifted from grants to loans. This combination has had a significant impact, Across Canada, 59 percent of Canadian university students graduated with debt in 2006, carrying an average debt load of $24,047.[35] British Columbia's system of student financial assistance has been part of the national pattern. The province's grants program was eliminated in 2004, shifting the emphasis to repayable loans; and debt loads among students have increased.

Not surprisingly, these shifts have been controversial. A survey of BC university students in 2004/05[36] indicates that the majority of students are able to manage the financial challenges through a combination of parental support, employment income, and student loans. But a quarter of students, especially those not receiving support from their parents, are having more difficulty; and over half of students were working during the academic year, although most of them reported that doing so caused their grades to suffer (67 percent) or slowed their progress towards degree completion (57 percent). These student perceptions are supported by evidence from national surveys, which confirms that high debt loads can lead qualified students to abandon their studies.[37]

Much debate has centred on whether students from low income backgrounds are particularly risk- and debt-adverse, and are therefore more likely to be discouraged by the new funding model. This concern is shifting attention back to needs-based bursaries and loan reductions for needy students. BC does have such a loan-reduction policy in place. The 2004 restructuring introduced a BC Loan Reduction Program for post-secondary students in academic programs of two years or longer. The program is fully integrated with the federal Canada Millennium Scholarship Foundation (CMSF), which delivers the program to students, and the mechanics of the program are relatively automatic. Each year a loan threshold is established in light of the number of eligible students and the total funding available from both the CMSF and the BC Government. In 2004/05, for example, the threshold was set at $7,650. Students are automatically considered for loan reductions, and any loan beyond the threshold is forgiven for students who successfully complete their program of studies that year.

The BC program has advantages. The program creates an incentive for students to complete

their studies each year, and its automatic nature simplifies administration. However, there are also weaknesses. One is a reduced resource commitment from the province. In its last year, the BC grants program was budgeted for approximately $90 million, and an evaluation by CMSF found that the program still left considerable "unmet need," that is, student need that the program recognized as legitimate but could not fund.[38] Since then, however, resources have declined further. When the new Loan Reduction Program was established, the federal government contributed $37.1 million through the CMSF. However, the BC government reduced its commitment to $30 million, redirecting the balance of funding to the post-secondary institutions to increase overall student spaces and ease pressures for both higher tuition and higher grade-point admission requirements. Since then, the CMSF contribution has not changed significantly, and the BC government's share has only grown with the size of the student cohort. In effect, the real value of per student support, already reduced in 2004, has continued to decline. The recently announced plan to invest $1,000 for each child in BC will undoubtedly help, but will certainly not fill the gap on its own.

More important in the current context are bursaries for low income students, who may be risk-adverse and reluctant to take on debt. The four-year trial bursary program for low income students introduced by the Canada Millennium Scholarship Foundation in 2005 is an important step. The program provides a non-repayable grant of up to $2,200 to approximately 2,800 students from low income families in the first year of their post-secondary studies.

Finally, there is a hole in the support system. No loan reduction is available to students undertaking courses of less than two years in length. A wide variety of short courses are offered by both public and private colleges in the province, and about 20 percent of students with student loans are enrolled in one-year programs.[39] Admittedly, students in short programs are less likely to accumulate as substantial debts as those in longer programs. But the wages of graduates of short courses also tend to be lower, and any significant debt might look like a mountain, especially to low income students for whom such programs may be especially attractive.

Access to Adult Education and Retraining

Analysts agree that the priority in efforts to flatten the social gradient in educational attainment should focus on early childhood and school years. Nevertheless, fairness requires that our programs provide a second chance for adults to upgrade their basic skills and literacy levels. Most serious adult training is sponsored by employers and enhances specialized skills related to job requirements. But such training, for good reasons, tends to go to workers who already have higher education and skill levels. As a result, one segment of the labour force "finds itself in a *virtuous circle* of a strong skills base, challenging job requirements, and additional human capital investments. However, too many Canadians, including many young people, are in a more *vicious circle* of skills deficit, underinvestment, and declining employability.[40]

Support for adult basic education and literacy training is limited in British Columbia. The

Adult Basic Education Student Assistance Program (ABESAP) provides support for tuition, books, travel and child care for adult students trying to complete their GED. While the program design is appropriate, the base budget of $4.7 million does not stretch to cover the full needs of current adult students. In addition, BC Income Assistance takes the position that the full-time job of able-bodied people on welfare is to find a job, and the program does not provide income support for people seeking to return to school (except on an after-hours basis).

While there is debate about whether completing the GED later in life actually enhances an individual's economic prospects, the business case for strengthening the basic literacy of adults seems much stronger. While younger British Columbians have high levels of education, adult literacy generally is a significant problem. As the Premier's Advisory Panel on Literacy emphasized, approximately 42 percent of adults in the province have low literacy skills.[41] A number of literacy programs for adults are offered through school districts, local colleges and various community agencies including unions and industries, but the resources dedicated to these projects remain small.

Investing in Human Capital: A Summary

There is considerable room for progress in the support for disadvantaged children and students as they pursue the education and skills essential for economic self-sufficiency. Key components of a vigorous strategy of investing in human capital still need to be built. Other programs need budgetary reinforcement. As we have seen, the province has reduced its own contributions to the Child Care Subsidy Program and post-secondary education student support (as it also did in the case of the BC Family Bonus). In addition, the budget for CommunityLinks has not kept pace with inflation and the budget for ECD initiatives has shrunk in absolute terms. It is time to reinvest.

V. DESIGNING POLICY RESPONSES: WHAT SHOULD BC DO?

It is useful at this point to summarize again the basic approach adopted in this paper. The BC and federal governments have told low income families that employment is the primary source of economic security for families and individuals of working age. Income transfer programs such as Income Assistance and Employment Insurance have been restructured to move beneficiaries into the labour market and to reduce repeat and extended reliance on benefits. But this strategy generates three powerful imperatives:

- *Make work pay*: governments need to provide support to ensure that people leaving welfare for low-wage jobs are not worse off, and that they can provide for the needs of their families.
- *Lower the social gradient in education and development*: Governments need to help low income people, and especially children from low income families, to prepare for the world of work. If we say to low income people that labour market par-

ticipation is the path to success, we have to flatten the social gradient, so that children from low income backgrounds acquire the knowledge and skills necesary to thrive in the modern economy.

- *Support those who cannot work*: It is important to recognize the limits of human capital strategies, and to support those who cannot be expected to work so that they can live with dignity.

This section offers suggestions on how British Columbia can advance in each of these domains. Once again, the discussion is organized in terms of the two major instruments available to governments: income transfers and educational programs.

1) Income Transfers

Earnings Supplementation and Making Work Pay

Work, even full-time work, does not guarantee escape from low income. Individuals leaving welfare for low-wage employment may be worse off, especially if they lose in-kind benefits such as subsidized housing, prescription drugs or child care. In addition, low- and modest-income workers face higher marginal effective tax rates than those at high income levels.

As the OECD recently commented, "much more remains to be done" on this issue in Canada.[42] Fortunately, the federal government has indicated that it plans to introduce a Working Income Tax Benefit (WITB) in the 2007 federal budget. In the government's words, the purpose of the WITB is to "further lower the welfare wall" and to "make work pay for low- and modest-income Canadians.[43] A carefully designed WITB has important advantages: it can assist low income families, reducing somewhat both the low income rate and the low income gap; it can help smooth the marginal effective tax rates facing low income workers; and it can inject greater equity into a policy of general tax reductions. Moreover, evaluations of the EITC in the United States suggest that such credits can positively affect the labour force participation of primary workers, and that any negative on the hours worked by secondary workers is small.[44]

Such programs exist in a number of countries, including the United Kingdom, the United States, France and Ireland. Although there are differences among their programs, the essential elements are similar. The WITB supplements the earnings of low income workers. Normally, benefits are determined as a percentage of an individual's earnings, to a maximum benefit amount, and are income-tested on the basis of family income. WITBs are generally delivered through the tax system as a refundable tax credit so that the benefit is not restricted to those who pay income taxes.

The federal proposal represents an important policy opportunity for the BC government. The introduction of a WITB will require careful federal-provincial coordination to integrate different income-related programs.

- Income Assistance: In some ways, relations with Income Assistance will be easier in BC than in other provinces, because the BC program does not have a sig-

nificant earnings exemption (except in the case of people with disabilities). This ensures a cleaner division between the two programs, and less need to adapt Income Assistance. But the interaction is likely to be greater in the case of income-tested programs, such as subsidized housing, and the federal government may well request that the provinces exempt the EITB when calculating eligibility for such benefits.

- Minimum wage policy: If the minimum wage is not maintained in real terms, the costs of an EITB would grow more rapidly, and the benefit could become a subsidy to low-wage employment. Because the provinces are responsible for setting the minimum wage for most of the labour force, a federal-provincial understanding about minimum wages may well be required.

Recommendation: The British Columbia government should support the introduction of a federal Earned Income Tax Benefit, and cooperate in the integration of its income-tested programs with the federal program.

Employment Insurance

The restructuring of Employment Insurance in the 1990s generated a program that does not respond well to the needs of unemployed Canadians across the country as a whole. As we have seen, the proportion of unemployed persons on EI benefits is lower in BC and especially in Vancouver than across the country as a whole. This is unfortunate. The federal government should remain engaged in providing temporary income assistance to unemployed Canadians across the country as a whole, and should adapt its program structures accordingly. Two approaches to this problem have been recommended:

- Reforming EI: Some analysts argue that eligibility conditions for EI need to be expanded in regions with lower unemployment. This is especially important in urban areas with significant portions of new entrants to the labour force, including newly arrived immigrants.[45]

- A New Program: Other analysts argue that changes in the labour market are inevitably eroding the effectiveness of a traditional unemployment insurance program, and that a new program is needed. For example, TD Economics, the research arm of the Toronto-Dominion Bank, has concluded that "because changing labour market realities have left a growing share of the labour force uninsurable under EI, a complementary set of programs is urgently needed".[46] For similar reasons, the Caledon Institute of Social Policy has proposed a Temporary Income program for temporarily unemployed persons who do not qualify for EI.[47]

Other provinces, such as Ontario, have expressed concern about the uneven treatment of Canadians across the country, and the province of BC should also encourage the federal government to take action.

Recommendation: The province of British Columbia should urge the federal government to reform its program structure to provide temporary income support for unemployed Canadians in an even-handed way across the country as a whole.

Income Assistance

Income Assistance will remain an important component of social programs. People will often need temporary support when facing adversity. Moreover, even the most effective strategy of investing in human capital will miss the social needs of vulnerable groups who face a concentration of disadvantages that limit their participation in the mainstream of society. People with disabilities, many homeless people, people with serious problems of substance abuse: these and others face a complex set of hurdles and require services and supports beyond education and training. Such people need supports of diverse forms, together with the financial assistance required to live with dignity.

The BC Income Assistance program has been transformed in the last decade. As we have seen, the proportion of beneficiaries who are able-bodied and expected to work has plummeted. Moreover, tougher entrance requirements and the term limits for people who are expected to work ensure that this pattern is unlikely to change dramatically in the future. As a result, the BC Income Assistance program has become primarily a program for individuals who are not expected to work. The largest categories of beneficiaries in 2005 were persons with disabilities (54%), people with persistent multiple barriers (9%), persons temporarily excused from work (7%) and children in the home of a relative (4%). These vulnerable groups constitute three quarters of beneficiaries.

In this circumstance, there seems little justification for the continued erosion of benefits in real terms. As Table C4 in Appendix C indicates, BC Income Assistance benefits are not generous by the standards of other provinces. It is time for the freeze to come off. Income Assistance benefits should be indexed to the cost of living.

> *Recommendation: BC Income Assistance benefits should be indexed to changes in the cost of living.*

2) Investing in Human Capital

In comparison with some countries at least, BC has a distance to go in its attempts to enhance the educational and skill development of disadvantaged people in the province:

- In contrast to countries that have developed strong programs in place, BC has a number of small programs which require budgetary reinforcement.
- Countries such as the United States conduct careful evaluations of their programs, to ensure that they are funding initiatives that work. BC needs to make progress here as well. Without systematic evaluations and evidence-based policy design, the province may be wasting some of the limited resources it does dedicate to the field.
- Some other countries coordinate their initiatives more effectively, having them led by an agency whose primary mission is to help disadvantaged people overcome obstacles. In BC, responsibility for programs is fragmented across a variety of ministries whose priority attention is inevitably drawn elsewhere.

It is time to invest in lowering the social gradient. Action is important at all levels of the learning ladder: early childhood, primary and secondary schooling, post-secondary education, and adult training.

Early Childhood Education and Development

The first priority in this field is to establish a strong program of early childhood education designed to improve the learning skills, social skills and health status of poor children so they can begin school on an equal footing with their more advantaged peers.

Other countries provide models to draw on. The oldest and best developed program is Head Start, introduced in 1965 as part of the American War on Poverty. Head Start supports a set of programs designed to help low income children by providing a stimulating learning environment, preventive health care and nutrition. The core is half-day preschool every weekday and a weekly 90-minute home visit for eight months of the year. The primary target of the program is children from age 3 until school entry, although in 1994 Congress added an Early Head Start program for low income families with infants and toddlers. In 2005, Head Start enrolled over 900,000 children; its budget was (US) $6.8 billion; and its average cost per child was (US) $7,000.[48]

Head Start operates by funding programs offered by community organizations, and places an emphasis on the involvement of parents. But Head Start is also a professional program. It offers communities a selection of programs that have been shown to work. Close to 70 percent of Head Start teachers have professional training in early childhood education. And Head Start has a strong evaluation program, which supports evidence-based refinement of the program. Evaluations of Head Start have gone through successive phases. Early evidence concluded that participation was associated with a significant increase in test scores in the early grades; subsequent evaluations raised concerns that some of the benefits tended to "fade out" around the third grade; but recent studies have confirmed long-term benefits. For white children, participation in Head Start is associated with a significantly increased probability of completing high school and attending college as well as elevated earnings in one's early twenties. The long-term educational benefits do not appear to be as strong for African-American children, although those who participated are less likely to be booked for or charged with a crime, and may be more likely to graduate from high school.[49]

The BC government has announced its intention to establish a "Strong Start" program in the province, with pilot projects beginning in 16 communities and then spreading across the province. The essential idea is to use under-utilized space in schools to provide ECD initiative. This is a welcome initiative. However, early indications are that the associated resources are very modest. To give "Strong Start" itself a strong start, the program should:

- Be adequately resourced. Adjusting the budget of the US Head Start for the smaller size of the BC population, the lower poverty rate and the difference in the currency suggests a budget of approximately (CDN) $65 million. Obviously, Head Start is a mature program, and BC need not start at that level. But it is important that the resources provided be more than symbolic;

- Reflect evidence-based design. While local communities understand their needs, it is important that Strong Start offer a choice of programs that have been shown to be effective;
- Be firmly focused on early childhood education and development. For example, encouraging parents to use car seats for their children is a worthy goal, but should be led by other ministries; and,
- Have a strong evaluation component. Without an ongoing commitment to rigorous evaluation and evidence-based design, the BC public cannot be assured it is getting value-for-money.

In addition, it is important that the provincial government reinvest the Child Care Subsidy Program to offset the withdrawal of federal funding and fully find the increase in eligibility thresholds. Drawing the resources needed to honour the increase in eligibility thresholds from other components of the child care program would be counterproductive.

Recommendations: The BC government should give "Strong Start" itself a strong start, by rolling out a program that is based on evidence of what works, that is strongly funded, and that has strong evaluation component. The province should also reinvest in the Child Care Subsidy Program.

Primary and Secondary School: Support for Disadvantaged Children

As we have seen, continued support through the primary and secondary school years is important to reduce the drop out rate among children from disadvantaged backgrounds. Certainly, it will be virtually impossible to move the BC graduation rate to 85 percent, a goal set by the government, without focusing directly on the problems of children from disadvantaged homes. In this case, CommunityLinks represents a base on which BC can build. Building effectively requires careful evaluation and evidence-based development, none of which is in place today. Second, the slow erosion of the budget in real terms needs to be reversed.

Recommendation: BC should build on the base of CommunityLinks by reversing the slow erosion of the budget in real terms, drawing on real evidence of what works and demanding a strong evaluation component of the program.

Investing in Children: An Integrated Strategy

Strong Start, CommunityLinks and child care programs should be led by an agency whose primary purpose is helping disadvantaged children. At the moment, these programs are much too fragmented. There needs to be a focus for leadership, expertise and accountability in the effort to flatten the social gradient in education and development in BC.

Recommendation: The administration of related programs designed to lower the social gradient in education and development should be consolidated in an agency whose primary purpose is to enhance the development of children.

Post-Scondary Education: Support for Low Income Students

The current approach to student access in BC has strengths. However, the province needs to reverse the decline in its own financial commitment to student access, and ensure that the evaluation of the experimental program of bursaries introduced in the province by the Canadian Millennium Scholarship Foundation is followed up vigorously.

In addition, the province should plug the hole in the loan reduction program. No loan reduction is available to students undertaking courses of less than two years in length. In plugging this hole, however, two points are important:

- The extension of eligibility should be accompanied by sufficient additional resources for the program. Stretching the existing budget even further will weaken the program as a whole; and,
- If private educational institutions wish their students to be eligible for the loan reduction component of the student loan program, they must agree to respect the caps on tuition increases established for public educational institutions.

Recommendations: The province should strengthen support for low income students by reinvesting in the BC Loan Reduction Program, follow up vigorously on the evaluation of the experimental bursary program, and extend support to students in one year programs.

Adult Literacy

The Discussion Paper on the education system recently released by the BC Progress Board[50] and the reports of the Premier's Advisory Panel on Literacy[51] have underscored the importance of a more robust literacy agenda in the province, including for adults. The social and economic case for enhanced literacy is strong, and this report adds its support to their recommendations.

In addition, fairness requires stronger support for adults seeking to enhance their basic education. There has to be a second chance in BC. To this end, the province should review its current policies in this area, including the budget of ABESAP, the divergent policies of different public educational institutions towards tuition for adult basic education programs, and the possibility of income support from BC Income Assistance. This is an area in which a pilot project targeted on those remaining on Income Assistance, coupled with careful evaluation and follow-up, would make sense.

Recommendation: The province should respond to the recommendations concerning literacy advanced by the Premier's Advisory Panel on Literacy and by the report of the BC Progress Board on education. In addition, the province should review and strengthen its support for adult basic education training to ensure that there is a second chance in BC.

3) The BC Opportunity Package

British Columbia is now embarked on a trajectory of strong economic growth, and can think creatively about ways to help the most vulnerable members of the population. The BC-Canada low income gap is a signal. The fact that one in ten British Columbians lives on the margins for extended periods is a challenge to the province.

Several other Canadian provinces have introduced integrated anti-poverty programs in recent years, to focus governmental attention and energy on the issue. To reflect the optimistic spirit of British Columbia, such a package might be framed an Opportunity Package. The key elements of such a package are clear: programs to make work pay; investments in lowering the social gradient in education and development; and, strong support for those who cannot be expected to work. Such an Opportunity Package holds out the promise of making British Columbia a land of opportunity for everyone in the province.

Appendices

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CEO
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Ms. Eva Lee Kwok
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B. Low Income Measurement

1) Measuring Low Income: the LICO

The low income cutoff or LICO is Canada's most established and accepted measure of low incomes, and is often informally referred to as the "poverty line" in social policy debates.

The LICO is defined as an income threshold below which a family is likely to devote a significantly larger share of its income to necessities such as food, clothing and shelter than the average Canadian family. Statistics Canada determines the precise thresholds through a standard two step procedure. First, they calculate the proportion of after tax income that the average Canadian family devotes to food, clothing and shelter, and then add 20 percentage points, on the assumption that a family spending 20 percentage points more than the average on necessities would be in "straitened circumstances".[52] Second, Statistics Canada calculates specific LICOs for 7 family sizes and 5 community sizes (from rural to urban areas with populations over 500,000). To do this, they examine each combination of family and community size separately, observing the actual proportion of income spent by all families of that size in communities of that size across the country. A regression line is fitted to this distribution and the intersection of the curve and the "straitened circumstances"

Table A1: Canada, After-Tax Low Income Cut-Offs, 2004, 1992 base

	Family Size						
	One person	Two persons	Three persons	Four persons	Five persons	Six persons	Seven persons or more
Rural Areas	11,025	13,418	16,709	20,844	23,736	26,324	28,912
Urban, Population under 30,000	12,617	15,357	19,121	23,856	27,165	30,127	33,089
Urban, Population 30,000 to 99,999	14,075	17,131	21,332	26,613	30,305	33,610	36,913
Urban, Population 10,000 to 499,999	14,253	17,347	21,601	26,948	30,686	34,032	37,378
Urban, Population 500,000 and over	16,853	20,512	25,542	31,865	36,285	40,241	44,197

Source: Statistics Canada

level gives the LICO.

An example might help. The current LICOs were based on expenditure patterns tracked in the 1992 Family Expenditures Survey. In the first step, Statistics Canada calculated that the average Canadian family devoted 43% of their aftertax income to basic necessities. Adding 20 percentage points produced a standard of 63% of aftertax income. In the second step, Statistics Canada used this standard to calculate lines for each combination of family size and community size. Since 1992, the cutoffs have been updated every year for inflation. The rates for 2004 are set out in Table A1.

The LICO and British Columbia: Two aspects of the LICOs are worth noting in the BC context. First, the LICO is a national measure. There are no regional or provincial LICOs; within each combination of family and community size, the same income cutoff applies across the entire country. As a result, the measure is not directly responsive to regional differences in the cost of living. Take housing costs for example. A surge in housing costs in British Columbia that is not accompanied by a similar surge in incomes in the province puts upward pressure on the national LICOs, by putting upward pressure on the amount that the average Canadian family devotes to necessities. But unless the same surge takes place across the country, the national average will increase by less than the increase in BC. Thus BC's weak performance on this measure cannot be attributed to particularly high housing costs in the province. It is provinces with *low* housing costs that can complain that the LICO overstates the low income rate.

Second, some analysts have noted that the LICOs for large urban areas (over 500,000) are considerably higher than those for smaller communities, and have asked whether the LICOs mechanically produce higher levels of low income in provinces such as British Columbia, which have a large proportion of their population in large urban settings. However, it is difficult to see why this would be the case. The LICOs for large urban areas are not based on arbitrary weights. They are based on a separate calculation of the proportion of after-tax income that families and individuals in large urban areas across the country are actually devoting to food, clothing and shelter.

2) Other Measures of Low Income

Statistics Canada also produces two other measures of low income, which differ in important ways from the LICOs.

The Market Basket Measure (MBM): Partly in response to concerns that the LICO is not responsive to the local cost of living, Statistics Canada developed an alternative measure of low income known as the Market Basket Measure (MBM). The MBM is based on a specified basket of goods and services, and has been designed to represent a standard of consumption which is close to median standards of expenditure for food, clothing and footwear and shelter and somewhat below that standard for other categories of expenditure (such as transportation, furniture, telephone etc). Statistics Canada calculates this standard in 19 specific urban centres and in another 29 community sizes in ten provinces, and then uses the thresholds to calculate the proportion of the population who fall below them. Individuals are de-

fined as being in low income if their disposable family income is below the costs of goods and services in the market basket in their own community or community size. Results are available for the period 2000-2002.[53]

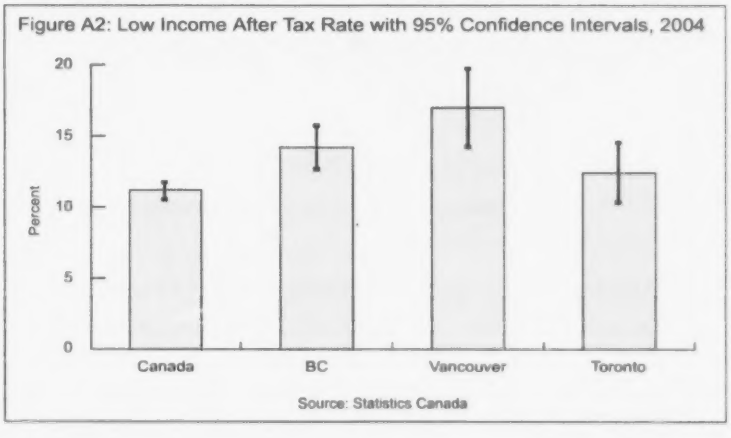
Using the MBM measure, the incidence of low income in 2002 was somewhat higher than that using the LICO. This is not because the MBM low income thresholds are higher but because the MBM definition of family disposable income is more stringent. For the after-tax LICO, only income taxes are deducted from total family income before comparison to the low income thresholds. In the MBM, a larger range of taxes, deductions and costs are deducted before comparison with the thresholds.

The MBM is designed to be sensitive to the local cost of living. In this case, higher housing and food costs in British Columbia have a significant impact on the proportion of the population falling below the measure. Low income rates in the province are considerably higher according to this measure.[54]

The Low Income Measure: the LIM: In international comparisons of low income, the most commonly used measure is the Low Income Measure or LIM. The LIM is set at 50 percent of median adjusted family income, where adjusted indicates that weights are included for the size of the family and the age of family members.[55]

3) The Income Data: the Survey of Labour Income Dynamics (SLID)

A final consideration in assessing the evidence for a BC-Canada gap is the quality of the data measuring the income of families and unattached individuals in British Columbia and Canada generally. Capturing an accurate picture of the income of low income people is a challenging task, and no measurement is perfect.[56] The Survey of Labour Income Dynamics, an annual household survey, is the primary source of data used in analyses of low income. However, as Figure A2 indicates, the confidence intervals for SLID data on low income are quite wide.

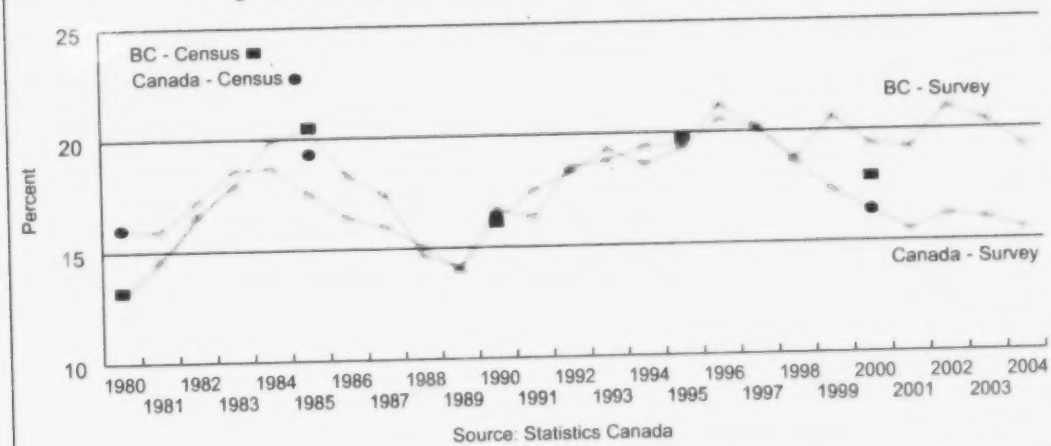


In order to provide a check on this survey data, the BC Progress Board asked Statistics Canada to conduct analyses of low income in BC and Canada utilizing two other sources of income data, the Census conducted every five years and taxation data derived from the tax returns filed annually by Canadians. Figures A3a and A3b compare the results from these data sets with the results from the survey data. Clearly, the three data sources produce different estimates of poverty levels. The Census data gen-

erally track the survey data quite closely and a gap between BC and Canada does appear in the 2000 data, although the difference is smaller in the Census data than in the SLID data. In the case of the tax data, the poverty rate in both BC and Canada generally is considerably higher, but the BC-Canada gap in recent years is broadly comparable to that reported in the survey data.

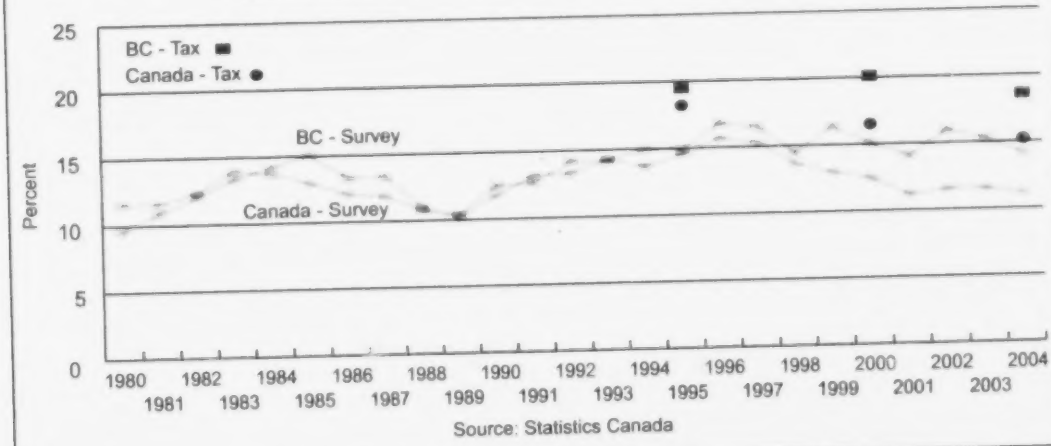
There is no perfect source for data on low income. The critical point for our purposes, however, is that the data from all three sources point in the same direction: there is a consistent pattern of a BC-Canada gap in low income in recent years. BC's relative performance does not appear to be an artifact of the data source used in calculating the incidence of low income.

Figure A3a: Percent of Persons in Low Income (Before Tax)



Source: Statistics Canada

Figure A3b: Percent of Persons in Low Income (After Tax)



Source: Statistics Canada

C. Supplementary Data

Table C1: Proportion of Children in Non-Parental Care, 2002-03			
British Columbia	Percent in Child Care		
	Lower 95% Confidence Limit	Estimate	Upper 95% Confidence Limit
Household Income Relative to LICO:			
Below LICO	24.5	31.6	39.7
Above, but less than double	40.6	45.9	51.3
More than double, less than triple	49.4	56.1	62.5
More than triple LICO	52.7	60.5	67.8
Canada	Percent in Child Care		
	Lower 95% Confidence Limit	Estimate	Upper 95% Confidence Limit
Household Income Relative to LICO:			
Below LICO	36.1	39.2	42.5
Above, but less than double	42.8	44.8	46.8
More than double, less than triple	59.4	61.5	63.6
More than triple LICO	67.3	69.9	72.3

Source: Statistics Canada, National Longitudinal Survey of Children and Youth, Provincial estimates kindly supplied by Statistics Canada

Table C2: Average Income Assistance Caseload Flows in BC				
	Starts	New Starts	Returns	Stops
1995	18,049	8,986	9,063	17,795
1996	13,690	6,079	7,611	15,761
1997	12,492	5,926	6,567	13,794
1998	10,789	5,209	5,579	11,702
1999	9,551	4,862	4,690	10,093
2000	8,812	4,587	4,225	9,025
2001	8,543	4,476	4,066	8,716
2002	5,537	2,527	3,010	8,080
2003	4,863	2,505	2,358	5,674
2004	4,236	2,308	1,928	4,895
2005	4,027	2,199	1,829	4,269

Source: BC Ministry of Employment and Income Assistance Notes: A *Start* is a case on assistance that was not on assistance in the previous month; it includes *New Starts* and *Returns*. A *New Start* is a case that starts receiving income assistance but that had not received any at any point during the previous 12 assistance months. A *Return* is defined as a case that starts assistance and has already been on assistance in the previous 12 months. A *Stop* is a case that stops receiving assistance.

Table C3: Average Caseload by Family Type (1995 - 2005)						
	Single Men	Single Women	Couples	Two Parent Families	Single Parent Families	Total
1995	91,952	45,661	8,868	15,507	56,912	218,900
1996	83,323	42,279	8,296	14,729	54,549	203,175
1997	75,887	40,408	7,795	12,075	47,850	184,015
1998	70,821	39,390	7,391	10,725	43,659	171,986
1999	66,708	38,649	7,101	9,538	40,839	162,835
2000	64,744	38,943	6,743	8,503	39,377	158,311
2001	64,534	39,780	6,640	7,848	37,541	156,342
2002	57,952	37,611	5,909	6,187	31,008	138,666
2003	50,265	34,796	5,044	4,335	23,559	117,999
2004	47,660	34,144	4,594	3,337	20,052	109,785
2005	46,329	33,742	4,277	2,664	17,321	104,334
Source: BC Ministry of Employment and Income Assistance						

Table C4: Monthly Income Assistance Rates, September 2006

	Employable				Temporarily Excused	Indefinitely Excused/ PPMB	Disabled
	2 Parents, 2 Children[1] (age 10 & 13)	1 Parent, 1 Child[1] (age 4)	Couple	Single	Single		
BC	1,506	1,212	827	510	510	608	856
AB	1,571	1,091	772	402	452	635	950
SK[2]	1,679	1,166	1,017	566	681	681	751
MB	1,686	1,170	732	466	466	696	696
ON[3]	1,547	1,248	947	547	547	547	977
QC[4]	1,674	1,326	859	560	674	816	816
NB	1,444	1,187	510	267	490	564	564
NS[5]	1,710	1,240	930	475	475	725	725
PE	1,744	1,208	907	479	654	654	654
NF	1,553	1,340	993	595	595	595	595
Average, excluding BC	1,623	1,219	852	484	559	657	748
BC Rank*	9	5	7	5	6	7	3

Sources: Department of Social Development, Government of Canada, federal-provincial secure website and various provincial ministry websites.

Notes: 1 For comparability, rates for One-Parent and Two-Parent families include the National Child Benefit Supplement (NCBS) and basic Canada Child Tax Benefit (CCTB) in addition to provincial child benefits, including the BC Family Bonus. The single parent rates include the additional CCTB amount for a child under age seven. Additional provincial child benefits are added to the rates for BC, Saskatchewan, Quebec, New Brunswick, Nova Scotia and Newfoundland and Labrador.
2 Saskatchewan rates increased effective July 1, 2006. The highest regional rates (tier A) are shown and they include the average basic utility allowance (excluding telephone and laundry) paid in 2004. Disability rate includes mobility amount of $20 per month.
3 Ontario has increased rates by 2% on support and shelter amounts in 2006; the effective date is not yet known.
4 Quebec's family rates include the new Child Assistance payment, which replaces the former Family Allowance, family tax credits and refundable Quebec Sales Tax Credit.
5 Nova Scotia's shelter allowance increased by $50 per month for all cases effective October 2005.

D. Consultations

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E. Notes

[1] OECD (2006).

[2] We return to a discussion of reliance on income assistance in Section III, which examines income support programs in the province.

[3] Morrisette and Zhang (2001); Finnie and Sweetman (2003).

[4] The data does not distinguish between people who experienced low income for three years in succession and those who cycled in and out of poverty three times over the period. But both types of experiences are likely to leave their mark. Only when attention focuses on the proportion of the population in low income in all six years does BC's comparative performance improve to above average, ranking fourth among the provinces.

[5] National Council of Welfare (2006a); also, Fleury and Fortin (2006).

[6] In 1995, the median after-tax income of economic families in BC was comfortably above the national average ($49,300 versus $46,800). However, by 2004, the median after-tax income of economic families in BC had fallen slightly below the national level ($53,700 versus $54,100). (Statistics Canada 2006a, Table 6-1 and

6-11).

[7] Heisz and LaRochelle-Côté (2005).

[8] It is worth noting, however, that this difference did not show as strongly in a separate data run conducted for the Board by Statistics Canada using tax data.

[9] Because a persistent Canada-BC gap in low income did not open up until 1995, it is unlikely to reflect a more general cultural preference for less work and more leisure. British Columbians have long been said to value a more relaxed lifestyle than other parts of Canada, but it seems unlikely that such an ethos strengthened suddenly in 1995.

[10] Willms (2002): 8; also, Keating and Hertzman (1999).

[11] Ross and Roberts (1999); Duncan *et al.* (1998).

[12] Willms (2004a): 3.

[13] See Drolet (2005); Finnie, Laporte and Lascelles (2004); Knighton and Mirza (2002); Finnie and Meng (2002); OECD and Statistics Canada (2000); Ma and Klinger (2000); Butlin (1999), (2000); Ryan and Adams (1999); de Broucker and Lavallée (1998); and de Broucker and Underwoood (1998).

[14] Dumaresq (2005): 10.

[15] Jencks and Meyer (1990).

[16] Kershaw *et al.* (2005).

[17] Gordon and Kinney (2006).

[18] OECD and Statistics Canada (2000); Coulombe and Tremblay (2006).

[19] OECD and Statistics Canada (2000).

[20] An analysis by Human Resources Development Canada concluded that the shrinkage of coverage was duly equally to program restrictions and changes in the labour market. See Human Resources Development Canada (1998).

[21] Finnie, Irvine and Sceviour (2005).

[22] This analysis of the economic well-being of welfare leavers was based on data from the Longitudinal Administrative Databank (LAD), which is built on the basis of a 20 percent sub-sample of income tax files, Frenette and Picot (2003).

[23] Frenette and Picot (2003).

[24] The BC Ministry of Human Resources did publish three exit surveys of income assistance recipients conducted in 2002, but the surveys had relatively low response rates (32 to 33 percent).

[25] On BC's role as an early leader, see Ken Battle and Michael Mendelson (2001): 106-07.

[26] Jago (2006).

[27] Bushnik (2006).

[28] Data in this figure should be treated with some caution as the confidence limits are rather wide. See Table C1 in Appendix C.

[29] The BC child care program has four pillars: subsidies to support low income families; operating grants to licensed providers; capital grants to non-profit providers; and a referral program.

[30] Kohen, Hertzman and Willms (2002).

[31] Busnick (2006), Table 4c.

[32] OECD (2004): 6; also, OECD (2002).

[33] Jago (2006): 17.

[34] Ministry of Children and Family Development (2003).

[35] Berger et al (2006); also, Finnie and Usher (2005).

[36] Dumaresq (2005).

[37] A survey of people leaving welfare in the City of Toronto found broadly comparable patterns. Approximately 43 percent felt that "things had improved financially" and about 33 percent felt their financial position had worsened; City of Toronto (2002).

[38] McElroy (2004).

[39] Data supplied by the Ministry of Advanced Education.

[40] Betcherman, McMullen and Davidman (1998): 5.

[41] Premier's Advisory Panel (2005).
[42] OECD (2006): 123.
[43] Department of Finance (2006). This initiative enjoys considerable bipartisan support in the federal government, having also been featured in the last Economic and Fiscal Update of the previous government [Department of Finance (2005)].
[44] Hotz, Mullin and Scholz (2006); Hotz and Scholz (2002).
[45] Task Force (2006).
[46] Drummond and Manning (2005).
[47] Battle et al (2006).
[48] Data from the website of the Office of Head Start: www.acf.hhs.gov
[49] Garces, Thomas and Currie (2002); also, Currie and Thomas (1995).
[50] Jago (2006).
[51] Premier's Advisory Panel (2005), (2006).
[52] Statistics Canada (2006b).
[53] Human Resources and Social Development Canada (2006).
[54] Human Resources and Social Development Canada (2006).
[55] For the precise weightings used, see Statistics Canada (2006b).
[56] Frenette, Green and Picot (2006).

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December 2006